

and greater responsiveness to yield differentials which express the comparative intensity of demands for funds. Our projections are illustrative of possible patterns of response, but what actually takes place will be a function of the changing pressures in the marketplace. On balance, these public and private pension accumulations have made a major contribution to the efficiency of the capital markets in channeling funds to the most productive areas of investments.

IMPLICATIONS FOR FINANCIAL INSTITUTIONS

The increasing readiness of noninsured private pension trusts and State and local government retirement systems to participate in the mortgage market on a much larger scale suggests that life insurance companies, savings and loan associations, mutual savings banks, and commercial banks will find new competition for loans. Some of these institutions have already been working to establish relationships and to provide essential services to fund administrators. Mortgage bankers are also active in tailoring their facilities to these new markets. Such arrangements and correspondent services will undoubtedly develop further.

Efforts to develop a secondary market for mortgages seem unlikely to engage the interest of pension fund portfolio managers. The possibility of resale is well down on the list of desired objectives. Greater uniformity of mortgage terms and characteristics would, however, be an attractive feature of mortgage market developments.

Unless there is a major change in the saving habits and motivation observed in our study, other financial institutions will have good markets for financial services which either supplement or complement pension saving. Mutual fund plan accounts, efficient financing of household capital, additional life insurance protection, and variable savings accounts are a few of the possible areas of growth which may be stimulated by the extension of pension coverage.

IMPLICATIONS FOR PUBLIC POLICY

The Cabinet Committee appointed by President Kennedy chose as the title of its report "Public Policy and Private Pension Programs." Major sections of that report dealt with economic aspects of pension growth and the public interest in private pensions. Although it is not within our province to make or endorse policy recommendations, certain of our findings are relevant to the Committee's analysis.

The Committee recognized that it is essential to the operation of public and private pension programs that the highest standards of fiducial responsibility be maintained. More complete disclosures of portfolios and changes in them were recommended. Also, the Committee advocated strengthening statutory provisions for enforcing recognized standards of fiducial responsibility in preference to the application of regulations or formulas which would reduce the flexibility of asset management.

Our analysis of portfolio management indicates that diversity and flexibility of investment decisions account for much of the contributions of these funds to the more efficient functioning of the capital markets. At the same time, we have found no reason to conclude that